GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

UNSTARRED QUESTION NO:1149
ANSWERED ON:21.08.2007
IMPORT OF COTTON
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Will the Minister of TEXTILES be pleased to state:

(a) whether the Government proposes to discourage import and create demand for domestic cotton;

(b) if so, the details thereof;

(c) whether the Government proposes to increase the present rate of 10 percent of import duty to the level of 30 percent to discourage the import of cotton;

(d) if so, the details thereof; and

(e) the other steps taken/proposed to be taken to protect the interest of cotton growers?

Answer

MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SHRI E.V.K.S. ELANGOVAN)

(a) & (b): To enable the user textiles mills to procure raw material of desired quality parameters at a competitive price, import of cotton is free.The existing basic custom duty on import of raw cotton is 10%. During cotton season 2003-04, cotton production in the country has started increasing significantly and since last two seasons, even after meeting the increasing demand of domestic textile industry, the country is having surplus cotton for export sales. With this changed scenario, import of cotton into the country has declined considerably and the same is now restricted to Extra Long Staple (ELS) varieties of cotton, which are in short supply in the country. Until and unless, domestic cotton production of ELS varieties is increased, any increase in the import duty may be counter productive and may adversely affect the domestic textile industry in meeting their cotton requirements of specific grades, which are in short supply.

(c): At present there is no proposal for raising import duty on cotton.

(d):Does not arise in view of (c) above.

(e): To protect the interests of the cotton growers, the Government of India announces Minimum Support Prices (MSP) of kapas (Seed cotton) every year. Cotton Corporation of India Ltd. (CCI) is mandated to undertake support price operations without any quantitative limit in all the cotton growing States where prices are ruling at MSP level.Government of India has also nominated National Agricultural Cooperative Federation of India Ltd. (NAFED) as an additional price support agency to undertake MSP operations.

The import of cotton is under Open General Licence (OGL) since 19.4.1994 without any qualitative or quantitative restrictions and the said policy is still being continued. The existing basic custom duty on import of raw cotton is 10%. No decision has been taken to take any kind of restriction.

(a) To help the domestic textile industry to source cotton at competitive prices, the imports of cotton was placed under OGL in 1994. Subsequently, to check upon the tendency of cheap imports, the Government of India had levied an import duty of 5.5% with effect from 1.9.1999 and raised the same to 10% n January, 2002. Massive imports had taken place during the period from 1999-00 to 2002-03. During cotton season 2003-04, cotton production in the country has started increasing significantly and since last two seasons, even after meeting the increasing demand of domestic textile industry, the country is having surplus cotton for export sales.With this changed scenario, import of cotton into the country have declined considerably and the same are now restricted to Extra Long Staple (ELS) varieties of cotton, which are in short supply in the country.Until and unless, domestic cotton production of ELS varieties is increased, any increase in the import duty may be counter produ ctive and may adversely affect the domestic textile industry in meeting their cotton requirements of specific grades, which are in short supply.